STATE OF COLORADO	Issued by the State Controller's Office	Standard # 5
HIGHER EDUCATION ACCOUNTING STANDARDS	Original Issue 06/30/77 Last Revised 03/27/00 Revision Effective 07/01/01	Page: 1 of 3
	Approved: Arthur L. Barnhart	Date: 4/30/01

TITLE: CAPITAL ASSET REPORTING

BACKGROUND AND PURPOSE

Governmental Accounting Standards Board (GASB) Statements 34 and 35 require that capital assets, other than land, non-depreciable land improvements, and non-depreciable works of art and historical treasures be depreciated over their estimated useful lives.

This standard provides direction on how to implement depreciation and how to report depreciation on the financial statements.

CAPITALIZATION CRITERIA

The following definitions of capital assets are provided to ensure uniform balance sheet reporting. An institution may select a minimum cost to be capitalized that does not exceed the amount stated in the definitions. Expenditures for capital assets that meet or exceed the established amount are to be capitalized in the plant fund.

Capital Asset - A capital asset is any physical resource that benefits a program with a useful life of more than one year. Capital expenditures include funds expended for land, improvements to land, buildings, leasehold improvements, equipment, and library books.

a) Land - Land includes the direct cost of acquisition, legal fees, site preparation costs, and the cost of demolishing unwanted structures on the land.

b) Improvements to Land - Improvements to land are improvements costing in excess of $50,000 including utility lines, streets, sidewalks, parking areas, etc. Buildings and additions to buildings are not classified as improvements to land. Depreciable and non-depreciable land improvements should be presented as separate lines on the financial statements.

c) Buildings - Buildings include all structural elements of the building with a cumulative cost in excess of $50,000, including the shells and components such as heating, air conditioning, elevators, and interest capitalized in accordance with Colorado Higher

Education Accounting Standard No. 12. Equipment that is merely attached or fastened to the buildings should be classified as equipment to the extent feasible.

d) Improvements to Buildings - This includes structural remodeling and additions to buildings that enhance or increase the useful life (but not to include routine maintenance and repair), cost in excess of $50,000 per project, and are completed subsequent to the original building construction. The institution must document what constitutes enhancement or life extension to the asset before a project is capitalized.

e) Leasehold Improvements - Permanent improvements made by the lessee to leased land or buildings should be capitalized if the cost of the improvement is in excess of $50,000.

At the expiration of the lease the lessor must record as "building improvements and capital grants and gifts" the fair market value of the improvements made by the lessee.

Ground leases should be capitalized by the lessee when the substance of the lease meets all three criteria for recognition as an asset as defined by the FASB Concepts Statement No. 6.

f) Equipment - Equipment includes tangible personal property that is not permanently built into a building, has not lost its identity through incorporation into a more complex unit, and has a unit cost that exceeds the lesser of the threshold set by the State Fiscal Rules or by institutional policy.

g) Library Materials and Collections - All library materials must be capitalized. This includes all volumes, serials, microfilm, government documents, computer files, manuscripts and archives, audio/visual materials (including cartographic, audio, graphic, film and video) and costs of binding/rebinding which are incurred by an institution's recognized library(s) and which are cataloged. There is no monetary threshold that must be met for library materials and collections to be capitalized.

h) Computer Software - Software expected to have a useful life of more than one year and meeting the institution's capitalization threshold criteria should be capitalized.

i) Works of Art and Historical Treasures - Works of art, historical treasures and similar assets must be capitalized at their historical cost of fair market value at the date of donation (estimate if necessary) whether they are held as individual items or in a collection. Depreciable and non-depreciable works of art and historical treasures should be presented as separate lines on the financial statements.

DEPRECIATION METHODOLOGY

Useful Life - The State Controller has established asset useful lives that may be used when calculating depreciation. To the extent that an institution has documentation that supports different useful lives for assets, those lives may be used.

Works of Art and Historical Treasures - Capitalized collections or individual items that are exhaustible, such as exhibits whose useful lives are diminished by display, educational or research applications, should be depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

Depreciation Calculations - The straight line depreciation method will be used. Depreciation can be calculated for a group of assets such as all equipment acquisitions in a category with the same useful life and for all library acquisitions. When assets are depreciated as a group, an estimate of accumulated depreciation needs to be made for disposals.

Disposals - Depreciation must be calculated in the year an asset is disposed. Since library materials are capitalized and depreciated as a group, it may not be practical to identify cost and accumulated depreciation of individual catalogued items that have been sold or disposed. As an accounting convention, it will be assumed that sold/retired items are fully depreciated. Accordingly, any disposals will be costed at the average per unit cost of library materials that are fully depreciated.